



INDEPENDENT SECTOR
A vital voice for us all

July 18, 2011

Dear Mr. President and Congressional Leaders:

We, the undersigned, write to express our concerns about the impact of proposed deficit reduction solutions currently under your consideration. We lead nonprofit organizations whose tens of millions of employees and volunteers are working to improve lives in every community across America.

We are troubled that the mix of domestic discretionary spending cuts and changes to entitlement programs now under consideration could undermine the social safety net and cause added hardship for low-income families. We urge you to avoid cuts in programs that help meet basic needs and provide educational and employment opportunities. Increased poverty must not be an unintended consequence of reducing the deficit.

We also want to voice our objection to the proposed cap on the value of the charitable deduction for certain taxpayers, which is projected to cost America's charities and the people we serve as much as \$7 billion a year. Just since 2008 we have seen charitable giving decline by \$25 billion as Americans struggle to navigate a difficult economy. Federal and state budget cuts have further overburdened and diminished the capacity of nonprofits and disproportionately affected those least able to help themselves. It is simply untenable to ask that they also endure the inevitable reductions in nonprofit programs and services that will be driven by a cap on the charitable deduction.

We understand the desire to make the tax code more equitable, but this proposal does not further that goal. Unlike other deductions, which subsidize personal spending that benefits the individual taxpayer, the charitable deduction actually encourages taxpayers to forego income in order to benefit our communities. The tax deduction for charitable giving is not a path to amassing greater personal wealth or accumulating tangible personal assets.

Not only is the charitable deduction fair, it is an efficient way for the government to spur investment in communities. When an individual in the highest tax bracket donates \$1,000 to charity, the government foregoes \$350 in tax revenue, but communities benefit from the entire \$1,000 gift. The government is unlikely to find another vehicle that can leverage private spending for community services on a nearly 3-to-1 ratio.

As you work toward reducing the annual budget deficit, we urge you to protect programs that assist people with low incomes and preserve the charitable deduction's powerful incentive for giving. Taken together, these steps will help ensure that basic human needs are being met in communities across our United States of America.

Thank you for your leadership and your consideration of these vital issues.

Diana Aviv
President and CEO
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